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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6797
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0674
RUEHBJ/AMEMBASSY BEIJING 1583
RUEHKA/AMEMBASSY DHAKA 4662
RUEHNE/AMEMBASSY NEW DELHI 4211
RUEHUL/AMEMBASSY SEOUL 7765
RUEHKO/AMEMBASSY TOKYO 5325
RUEHCN/AMCONSUL CHENGDU 1247
RUEHCHI/AMCONSUL CHIANG MAI 1194
RUEHCI/AMCONSUL KOLKATA 0116
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 3374
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1109
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001095

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STATE FOR EAP/MLS, INR/EAP, EEB/TFS
PACOM FOR FPA
TREASURY FOR OASIA

E.O. 12958: DECL: 11/08/2017
TAGS: [ECON](#) [PREL](#) [PGOV](#) [FAIR](#) [BM](#)
SUBJECT: AIR BAGAN LIVES IT UP WHILE CRYING POOR

REF: A. RANGOON 1090
[1](#)B. RANGOON 1048

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

[1](#)1. (C) Summary. Regime crony Tay Za, celebrating Air Bagan's third anniversary on November 5, held a press conference where he emphasized Air Bagan's charity work in Burma, detailed the future of the airline, denounced close ties to the regime, and condemned U.S. sanctions. After the press conference, a lavish party for 1,500 guests began: guests were treated to a free flow of food and alcohol and listened to the performances of four popular local singers. To cap off the evening, Tay Za serenaded the crowd for half an hour. Despite claims that Air Bagan only earned \$50,000 in profits in 2006, Tay Za spent an estimated \$25,000 on this party alone. End Summary.

No Basis for Sanctions

[1](#)2. (SBU) To commemorate Air Bagan's third anniversary, Air Bagan CEO Tay Za held a press conference, where he discussed the past, present, and future of Air Bagan. Highlighting the company's charity work in Burma, Tay Za claimed Air Bagan directly improved the lives of more than 20,000 Burmese, as well as the 14,000 who work for Htoo companies. He also rejected allegations that Air Bagan supported the Burmese regime. "No government officials or party outside of Htoo Group owns any part of Air Bagan," he stated. Air Bagan only earned \$50,000 in profits in 2006, all of which were reinvested into the company, he explained (Ref B). "So how could Air Bagan use its profits to support the government?"

he asked.

¶3. (SBU) Tay Za continued his speech, denouncing the latest U.S. sanctions and demanding that the U.S. Government review its intelligence. He then criticized the U.S. Government for imposing sanctions on his company based on flawed information. Air Bagan is facing economic challenges, he admitted, all of which are due to U.S. sanctions and restrictions on banking facilities. Despite these problems, Tay Za ended the speech with a promise to Air Bagan employees, pledging that the company would follow through on its plans to develop Burma's aviation sector.

Let's Get this Party Started

¶4. (C) After Tay Za concluded his statement, guests and employees toasted the future of Air Bagan, and the atmosphere quickly became celebratory. Tay Za, using some of Air Bagan's "meager profits", hired four popular Burmese singers, who performed for the crowd for four hours. 1,500 guests, including Tay Za's key advisor, U Lu Lu, the Russian and Chinese Ambassadors, and tourism industry representatives, were treated to a four-course dinner and an endless flow of alcohol. Balloons and confetti were released into the air several times during the event, and guests received party favors, including neon glo-sticks, wine glasses, and free bottles of liquor.

¶5. (C) Tay Za was in his element, soaking up the attention while greeting his guests. Several hours into the event, Tay Za jumped up on stage and serenaded the crowd (Ref A). The crowd went wild; many guests waved their glo-sticks in the air while more than twenty women jumped on stage to kiss Tay Za and present him with flowers. Thiha, Tay Za's brother and

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Vice Chairman of Htoo Group of Companies, told Econoff that Tay Za loves being the center of attention. Although the party was technically for the Air Bagan staff, Thiha continued, Tay Za wanted to use the party to show how the U.S. sanctions had not affected his ability to do business and have a good time.

¶6. (C) Saman Sarathchandra, General Manager of Sedona Hotel, told us that the Air Bagan party, which was held at Sedona, cost Tay Za more than \$20,000. Tay Za's staff paid the Sedona \$6,000 in cash as a deposit, and promised to pay the rest after the party.

Tay Za's Older Brother

¶7. (C) After the press conference, Econoff met several of Tay Za's trusted confidants, including U Lu Lu, Chairman of Sun Far Tourism Agency U Kyaw Tun, and Thiha, Tay Za's older brother. Thiha spent more than thirty minutes recounting his fond memories of his time in the United States, where he obtained a Master's Degree in computer science from American University (1987-1990) while on a USAID scholarship. After returning from the U.S., Thiha worked for five years as a computer programmer for the Ministry of Industry 1. Dissatisfied with his government salary, Thiha began working for Tay Za at Htoo Trading in 1995. "The work was easier and the salary was better; who wouldn't switch jobs?" he stated. Thiha is married and has two sons, aged 16 and 13.

¶8. (SBU) Thiha provided us his name card, which listed all of the companies under the Htoo Group:

--Myanmar Avia Export Co., Ltd;
--Aureum Palace Resorts, address: 41 Golden Valley, Bahan Township Rangoon, Telephone: 95-1-503-816, 95-1-503-826, 95-1-503-837;
--Treasure Hotel and Resort Co., Ltd, address: 6th Floor Sakura Tower, Bo Gyoke Aung San Street, Yangon, Telephone: 95-1-255-023;

--Central Marketing Co., Ltd;
--Air Bagan;
--Htoo Construction Development Group Co., Ltd;
--Myanmar Avia Service Co., Ltd;
--Htoo Engineering Co., Ltd;
--Treasure Travel and Tours Co., Ltd;
--Ayer Shwe Wah Co., Ltd;
--Htoo Properties Development Co., Ltd;
--Htoo Cement and Steel Production and Distribution Co., Ltd;
--Htoo International Industry Group Co., Ltd;
--Myanmar Billion Group Co., Ltd;
--Htoo Wood Products Pte., Ltd; and
--Myanmar International Agro Production Group Co., Ltd.

Comment

18. (C) Various sources have confirmed that Air Bagan and Tay Za's other holdings have suffered due to the latest round of sanctions. This performance was Tay Za's effort to convince the rest of the world, and perhaps himself, that he remains in control of the situation. The sanctions have clearly affected Tay Za and his friends' ability to do business both in Burma and internationally. It is only a matter of time before Tay Za's golden parachute gives out, taking his military patrons with him.

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